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Title: New Lease Space Acquisition Process: A key tool in solving LANL's critical office space issues

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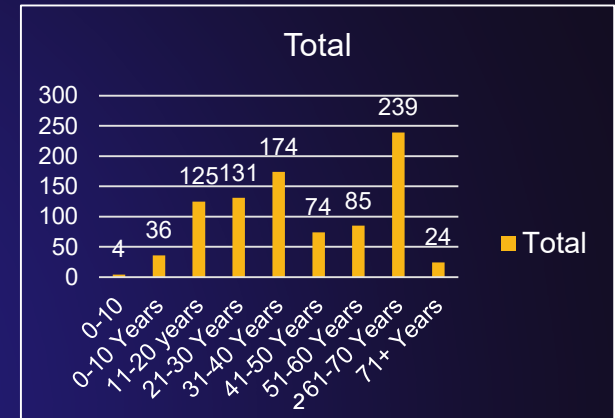
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New Lease Space Acquisition Process

A key tool in solving LANL's critical office space issues

- **There is insufficient space**
 - The Laboratory is growing (~20% growth over past 5 years)
 - Changes in Mission will accelerate that growth
 - We are estimating up to 2,800 additional personnel (504,000 ft²) required to meet mission
- **Much of our existing space is inadequate**
 - Average Age is 42 years. 30% of portfolio is 61 years or older, 50% is over 50 years old
 - 82% of facilities are substandard or inadequate according to BUILDER data
 - Facility data suggest office space is well over 98% full
 - Vacancies are spread over a large number of facilities.



Average Age of Buildings

- Initial Discussion – Early Calendar year 2020
 - LANL began discussions with Los Alamos Field Office (NA-LA) and with LANL's assigned Real Estate Contracting Officers (RECO's) with regards to the pursuit of additional office space through leasing.
- Existing Leases
 - At this time, LANL occupied space in 26 leased buildings in Los Alamos, representing 315,000 ft².
- Market Information
 - LANL worked with a local broker to conduct a simplified market survey of current and expected availability of office space in Los Alamos.
 - Only availability were general small retail spaces typically 2,000 ft² or less.

- Path forward
 - With the realization of the limited amount of office space available for lease, LANL furthered discussions with NA-LA and our RECO's.
 - RFI vs RFP
 - Larger Delineated Area
 - Options for purchase of existing and/or lease to purchase
- Conducted facilitated discussions with executive management regarding space outside of Los Alamos

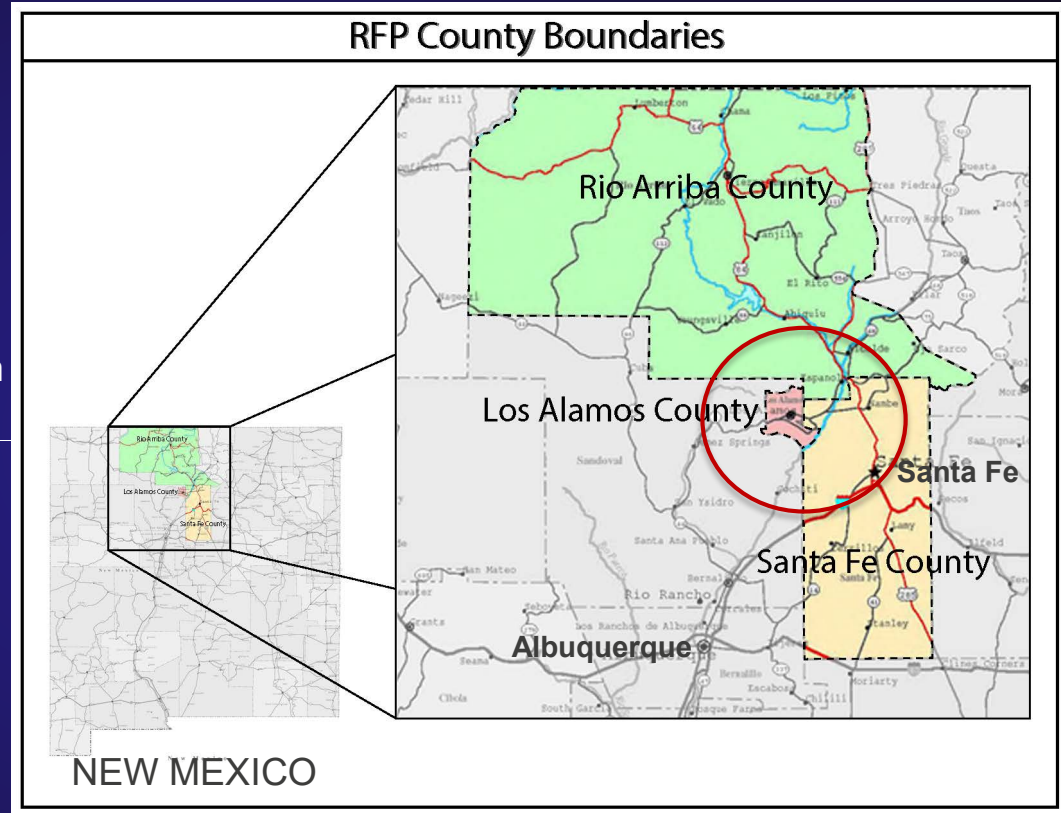
Not a large market for office space

- City of Santa Fe ~85k population
- County ~ 150k population

City is ~45 minutes away from Los Alamos

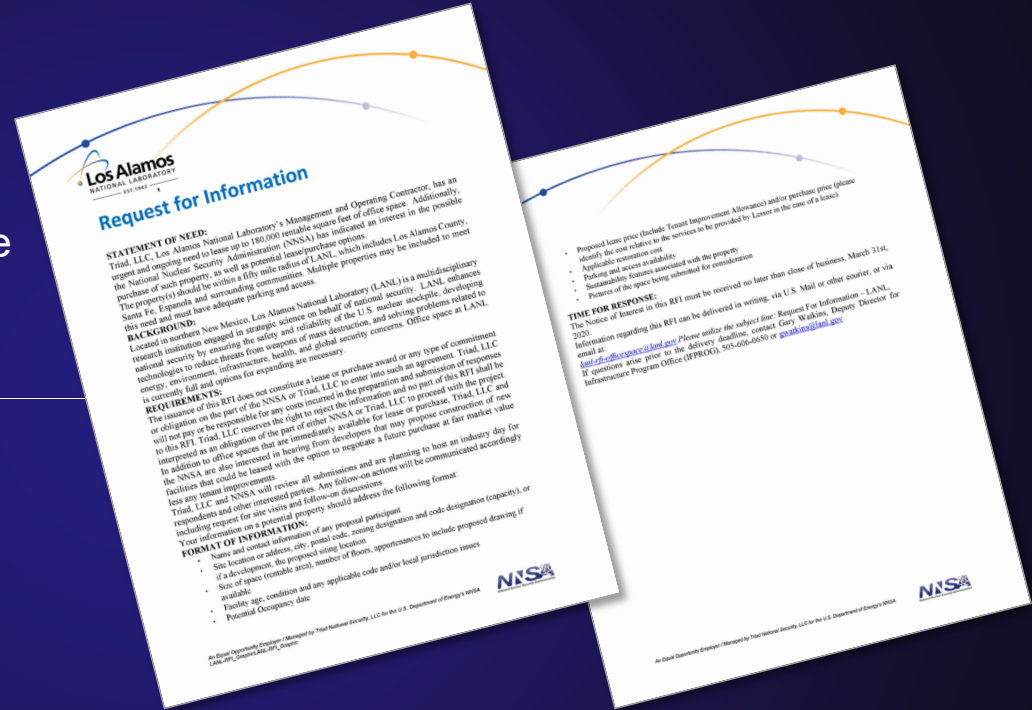
Large portion of Laboratory commutes from Santa Fe currently

No current presence in Santa Fe

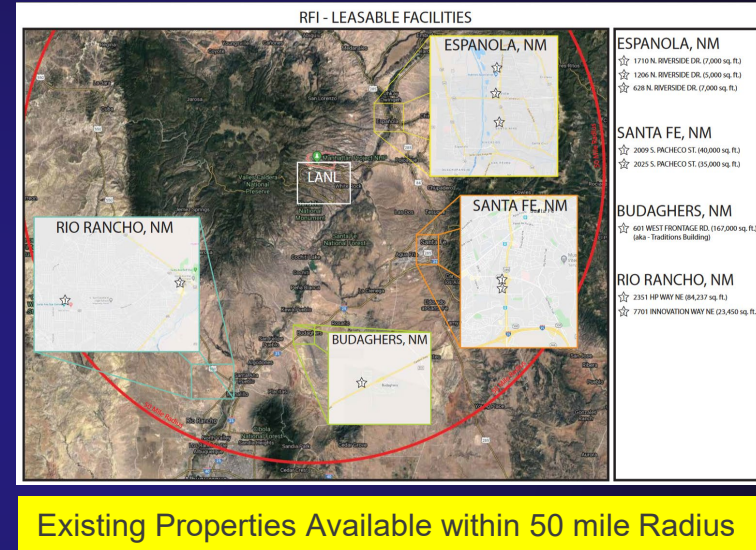


Request for Information

- For existing office space
 - Within a 50 mile radius of Los Alamos
 - Includes potential lease, purchase and lease to purchase options



- With the RFI, we received 30 responses
 - Not much available for immediate lease or purchase
 - 3 companies with 7 properties
 - 3 of the 7 properties are within 50 mile radius but significantly more than a 50 mile drive
 - 2 properties in Santa Fe (~75,000 ft²) may look promising
 - Significant number of developers willing to work with us to build to suite
- Next step.....Request for Proposal (RFP) for existing office space



RFP or Solicitation for Offers

- Offers to be on existing office space only
- Clarified the delineated area to be 50 driving miles from LANL
- Space requirements
 - Minimum of 15k ft² to 300k ft²

Solicitation for Offers

- Package included:
 - SFO
 - Triad Lease Template
 - GSA 1217 *Lessor's Annual Cost Statement*
 - GSA 3516 *Solicitation Provisions*
 - GSA 3517 *General Clauses*
 - Reps & Certs



Key sections of the SFO

- SUMMARY
- AMOUNT AND TYPE OF SPACE AREA OF CONSIDERATION
- LEASE TERM
- OFFER DUE DATE
- OCCUPANCY DATE
- HOW TO OFFER
- BUILDING REQUIREMENTS
- TENANT IMPROVEMENTS
- TENANT IMPROVEMENT RENTAL ADJUSTMENT
- NEGOTIATIONS
- PRICE EVALUATION (PRESENT VALUE)
- AWARD
- LABOR STANDARDS



AWARD FACTORS

The lease will be awarded to the Offeror whose offer will be most advantageous to Triad (LANL).

The following award factors in order of significance are:

- Location
- Space and Facility Configuration
- Occupancy Schedule
- Price of Firm-Term
- Renewal Option Price



- **Santa Fe, NM Proposals**
 - Santa Fe A – 40k sq. ft. (3 stories)
 - Santa Fe B – 37,856 sq. ft. (2 stories)
 - Santa Fe C – 85k sq. ft. (1 story)
 - Santa Fe D – 98k sq. ft. (2 story)
 - Santa Fe E – 27,438 sq. ft. (2 story plus basement)
 - Santa Fe F – 24,361 sq. ft. (26 total acres)
- **Los Alamos, NM Proposals**
 - Los Alamos A – 15,247 sq. ft. (1 story)
 - Los Alamos B – 24,448 sq. ft. (2 story)
 - Los Alamos C – 20,388 sq. ft. (2 story)
 - Los Alamos D – 58k sq. ft. (1 story)
 - Los Alamos E – 8,908 sq. ft. (3 stories)
- **Espanola, NM**
 - Espanola A – 3,300 sq. ft. (1 story)

New LANL Leases

Lease Acquisition Process – B & F Responses

• Santa Fe, NM		
– Santa Fe - A	Single Proposal	Within Market Rate - Best & Final Offer - Options
– Santa Fe - B		
– Santa Fe - C	————	<u>No B&FO</u> - Owner leased property
– Santa Fe - D	————	Within Market Rate - B&FO - Options
– Santa Fe - E	————	B&FO higher than Market Rate
– Santa Fe - F	————	Rejected - Did not meet minimum. area requirements
■ Los Alamos, NM		
— Los Alamos - A	————	Currently in negotiations
— Los Alamos - B	————	B&FO higher than Market Rate
— Los Alamos - C	————	B&FO higher than Market Rate
— Los Alamos - D	————	<u>No B&FO</u>
— Los Alamos - E	————	Rejected - Did not meet minimum area requirements
■ Espanola, NM		
— Espanola - A	————	Rejected - Did not meet minimum area requirements

- **Santa Fe, NM**

- **Santa Fe - A** — In Negotiations
- **Santa Fe - D** — **Rejected Offer** (Significantly out of market rate for class B space)
- **Santa Fe - E** — In Negotiations

- **Los Alamos, NM**

- **Los Alamos - A** — Currently in negotiations
- **Los Alamos - B** — **Rejected Offer** (Significantly out of market rate for class B space)
- **Los Alamos - C** — **Rejected Offer** (Significantly out of market rate for class B space)

We are in the process of executing 3 new leases based on the RFI/RFP process. It will add a total of 121,000 ft²

- New leases will be Class A space
- Modern furniture applications
- Leveraging hybrid telework mode to maximize use of office space
- Roughly equivalent to ~\$100M of indirect funded construction of new office space

New Leased Property	Total Area (SF)
Los Alamos - A	15,000
Santa Fe - E	28,000
Santa Fe – A & B	78,000
Total New Lease Area	121,000

QUESTIONS

